



County Technical Assistance Service

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Excise Tax Applied to Financial Institutions

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We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other e-Li material.

Sincerely,

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Excise Tax Applied to Financial Institutions

Reference Number: CTAS-1636

Authority. T.C.A. §§ 67-4-2001 through 67-4-2023.

Description. This is a state tax on the net earnings of corporations doing business in Tennessee, but only the portion of this revenue received from financial institutions (banks, savings and loans, loan or trust companies, investment companies, and cemetery companies) is distributed to counties and municipalities under T.C.A. §§ 67-4-2017, 67-4-2020, 67-4-2021, and 67-4-2022. Net earnings is defined in T.C.A. § 67-4-2006. The tax rate is 6.5 percent of net earnings. T.C.A. § 67-4-2007.

Distribution. For excise taxes collected from a bank, loan or trust company, financial institution unitary business, investment company, or cemetery company, the amount distributed to cities and counties is 3 percent of the net earnings less 7 percent of the ad valorem taxes paid by the entity on its real and tangible personal property for the second fiscal year preceding the year in which the distribution is made. These revenues are allocated between the county and the municipal government where the office of the entity is located in the same proportion as the property tax rate of each taxing jurisdiction bears to the sum of the property tax rates. T.C.A. §§ 67-4-2017, 67-4-2020, 67-4-2021, and 67-4-2022.

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